EDITORIAL

Innovation, both of processes and products, has become as important an aspect of competition as cost minimization. If countries are to secure a competitive position in the global economy, therefore, they must promote technical learning at the enterprise level. Enterprises advance technologically through a cumulative, time-consuming process and at any one time only a minority of them will be at the cutting edge of innovational activity. For the majority of enterprises, therefore, learning how to imitate the innovators is crucial.

The accumulation by enterprises of technological capabilities is also necessary in view of the current liberalizing trend which is making economies more open to competition. In this new environment, the objective of industrialization is no longer a protected national industrial base but rather entry for a country's enterprises into foreign markets. For all these reasons, therefore, the acquisition of imitative capabilities must be a prime concern for enterprises in developing countries.

The encouragement of technology transfer via mechanisms of imitation can come from several sources. Experience shows that the State can play a useful role, for example by providing incentives for the development and dissemination of technological innovations. Capital markets, too, could contribute. Although knowledge in this area is incomplete, it appears that financial systems which are more accommodating of long-term investment decisions tend to be more supportive of technology capacity-building.

Competition policies also stand to be affected by the manner in which two existing contradictory trends are eventually reconciled. These are short technology cycles and long product cycles. The challenge is to develop efficient techniques of "demanufacturing", i.e. the productive reuse of materials and components of manufactured goods which have been rendered obsolete by technological progress. This highlights the need for policy makers to ensure that technological capacity-building is compatible with sustained growth.

These issues figured prominently in the presentations made by three invited experts to the UNCTAD Working Group on the Interrelationship between Investment and Technology Transfer last January. The Working Group built upon these ideas in shaping its work programme, focusing on three aspects. First, it proposes to examine the role of investment and technology flows in determining changing patterns of competitiveness among countries, as well as the policy choices open to countries wishing to improve their competitive position in international trade. Furthermore, since enhanced technological capacity is a prerequisite for becoming more competitive, a second issue stresses technology capacity-building. Finally, recognizing that competitiveness and capacity-building are not goals in isolation, the Working Group will seek to identify forms of technology transfer that are compatible with sustainable economic development.

It is to be hoped that the action-oriented approach adopted by the Working Group, which will include an intensive exchange of national experiences based on country-case studies, will lead to the identification of concrete policy options in all these areas.

The United Nations Conference on Trade and Development (UNCTAD) was set up by the General Assembly in 1964 as one of its permanent organs, mandated to promote international trade, particularly that of developing countries, with a view to accelerating their economic development. UNCTAD has evolved into a universal forum with a development perspective, in which member States review the interdependence of economies and of issues in trade, money and finance. UNCTAD is composed of 183 member States, including the 180 members of the United Nations; many intergovernmental and non-governmental organizations have observer status. The Conference normally meets every four years at ministerial level to establish policy guidelines. Between sessions, work is carried out by the Trade and Development Board and its standing committees, working groups and other subsidiary bodies. The problems of the least developed countries and of Africa's economic recovery receive special attention in UNCTAD's work. The UNCTAD staff, part of the United Nations Secretariat, numbers about 400 and is headed by a Secretary-General, currently Mr. Kenneth K. S. Dadzie (Ghana).

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Michael C. Bonello, Editor

NEW UNCTAD BODIES COMPLETE FIRST ROUND OF MEETINGS

Less than a year after UNCTAD VIII launched a major institutional reform of the organization, all the newly-created intergovernmental bodies had held their first meeting and agreed on a work programme. The cycle of meetings commenced in October 1992 and was concluded in early February this year. This article completes the review of these meetings; the first part was featured in the previous issue of the *Bulletin*.

The active participation of many national experts and of representatives of international organizations, together with the presentations given by 15 countries, turned the first meeting of the *Working Group on Comparative Experiences with Privatization* last December into an ideal occasion for discussing techniques of privatization and related problems and for identifying topics deserving further study. Several such topics have, in fact, been selected. The Working Group has decided to examine comparative experiences with the design, implementation and results of privatization programmes. It will do so on the basis of country presentations as well as of cross-country analyses. Work will focus on factors influencing decisions to privatize and on the objectives thereof; the macroeconomic framework; the role of the State; technical, legal, environmental and financial aspects; and the social impact of privatization. A network of national focal points dealing with privatization is to be established and a list of main publications and legal materials on the subject will be compiled.

Also in December, the *Working Group on Expansion of Trading Opportunities for Developing Countries* adopted a work programme which focuses on export capabilities and market opportunities. Work in the former area will draw on country presentations of national experiences to identify policies for enhancing competitiveness of sectors and industries having an export potential and for improving the economic environment for the export sector. As for the second component, the Working Group will identify product and export market opportunities by considering, among others, trade liberalization measures, including the Uruguay Round, regional integration arrangements, the Generalized System of Preference (GSP) and restrictive business practices. It will also address the effectiveness of export promotion and marketing activities in developing countries. International organizations, particularly the ITC, non-governmental bodies, the business community and academics will be associated with the Working Group's activities.

Strengthening regional and sub-regional integration schemes and promoting enterprise cooperation are important objectives of the work programme of the *Standing Committee on Economic Cooperation among Developing Countries (ECDC)* adopted in January. The Standing Committee will seek to promote trade among developing countries as well as cooperation in the areas of money, finance and investment, including clearing and payments arrangements. It has further been decided to launch a policy dialogue among the donor community, ECDC groupings and other interested parties to mobilize support for designing and implementing regional and interregional initiatives and networking of integration and cooperation schemes. In this connection, an Intergovernmental Group of Experts is to collect relevant information during 1993 from the donor community and prepare prospects for improving assistance programmes. On the basis of the Group's report, the Standing Committee is expected to identify projects and measures deserving international support.

According to the basic guidelines of the work programme it adopted in January, the *Standing Committee on Poverty Alleviation* will serve primarily as an international forum for exchanging and examining experiences in this area, and for the identification of projects and mobilization of resources. It will be action-oriented, focusing on strategies and policies leading to concrete programmes, which could be applied elsewhere with success. It will also be needs-based, catering to the evolving diversity of needs of countries. International and non-governmental organizations, as well as experts, engaged in poverty alleviation activities will be associated with the Standing Committee's work and an intergovernmental group of experts will be convened before each session.

Specific areas of work will include anti-poverty programmes and policies in the productive and social sectors as well as the effects on the poor of such factors as structural adjustment, macroeconomic policies and debt. The adequacy of external financial resources and impediments affecting the implementation of assistance programmes for poverty alleviation will also be examined. Other parts of the work programme call for an analysis of the linkages between poverty alleviation and international trade, sustainable development, population and migration.

Reflecting the action-oriented nature of its work programme, adopted at the end of January, the major output of the *Working Group on the Interrelationship between Investment and Technology Transfer* is to be a report on

investment and technology and on how related factors influence technological capacity-building and international competitiveness in the process of economic development. The Working Group's deliberations as well as the exchange of national experiences based on country case studies, both of which will be reflected in the report, will focus on three specific issues, *viz.* investment flows, transfer of technology and competitiveness; technological capacity-building in developing countries, particularly the LDCs, and in countries undergoing the process of transition to a market economy; and transfer and development of environmentally-sound technologies. Several national experts, from the public and private sectors, took part in the meeting.

The first round of meetings was concluded on 5 February when the *Standing Committee on Services* adopted a work programme on insurance which will focus on fostering competitive insurance services in developing countries. For this purpose it will review critical areas of concern in the context of economic reforms, such as the progressive liberalization and privatization of insurance markets, with particular emphasis on issues of prudential regulation and protection of policy holders. The experience of developing countries and countries in transition in creating a market-oriented insurance sector will be analyzed. Countries will also exchange experiences on how to develop creditor insurance for the benefit of small and medium-sized enterprises; and on regional cooperation, particularly in the area of reinsurance and retentions.

Building on previous work by the UNCTAD secretariat, the Standing Committee will examine alternative mechanisms to meet insurance and reinsurance needs in respect of natural catastrophes, environmental damage and large risks; linkages between insurance schemes, rural credit systems and development strategy; and study crop, livestock, poultry and aquaculture insurance. Meanwhile, the UNCTAD secretariat has been requested to continue to publish its statistical survey on insurance and reinsurance, considered by several countries to be the most comprehensive available, as well as its regular review of developments in these fields. The insurance industry, supervisory authorities and national and international insurance associations were well represented at the meeting.

All the work programmes described here will be carried out with substantive support of the UNCTAD secretariat which has had specific requests addressed to it in this regard. It has also been asked to strengthen its technical cooperation activities, including, in many cases, its human resource development activities.

BANKING UNDER A REGIME FOR WORLD TRADE IN SERVICES

*Andrew J. Cornford**

As defined in the Draft Final Act of the Uruguay Round (UR), international trade in services includes both cross-border transactions and supply through a commercial presence in a foreign country. Designing a framework of rules for the liberalization of such trade has proved especially complex since account must be taken not only of issues analogous to those arising for international trade in goods but also of questions pertaining to foreign direct investment. Under the heading of supply through a commercial presence the framework must address the incidence on foreign suppliers of domestic regulations concerning subjects such as the qualifications of professionals, standards, the conferring of monopoly power, controls on prices and levels of transactions, and other operating restrictions on enterprises. Some services are inputs into other economic activities, and in consequence are frequently considered by governments as being of strategic importance. This explains why the treatment of banking services assumed such prominence during the negotiations leading to the draft General Agreement on Trade in Services (GATS), which forms part of the Draft Final Act. The pervasive connections between real and financial activities underlie both national monetary policies and policies designed to influence the allocation of credit.

The subjects covered by the draft GATS are the principles which would govern the regime for international trade in services, the modalities for the negotiation of commitments regarding such trade, and other institutional matters. The provisions of the main part of the draft are concerned with trade in services generally but the Agreement also contains an Annex on Financial Services which lists relevant definitions and furnishes additional details concerning regulatory matters, especially prudential ones, and the settlement of disputes that involve the financial sector. Even if the UR were to fail, the draft GATS would remain of interest since it would be likely to serve as the model from which any future initiatives in this area would start.

The review which follows[1] takes up five subjects covered by the draft GATS: control over

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[1] *A more extended discussion is to be found in A.J. Cornford, "Some implications for banking of the draft General Agreement on Trade in Services of December 1991", "UNCTAD Review", forthcoming issue.*

international capital movements; market access and national treatment; infant-industry protection; the application of most-favoured-nation (MFN) treatment; and prudential regulation. Consideration of these subjects during the negotiations has of course not been restricted to their implications for banking. Nevertheless, each looms large as part of an international regime for banking services.

Control of International Capital Movements

The right of countries to control international capital movements has been a central issue at the UR negotiations, and a source of special concern to developing country participants. Earlier during the negotiations OECD countries submitted proposals which, as part of the process of opening up economies to cross-border financial transactions, would have required the removal of restrictions on payments for the purpose of transferring capital, as defined by the IMF. However, as the negotiations progressed, there was greater acceptance of governments' need for autonomy, and Article XI of the draft GATS acknowledges the primacy of countries' rights and obligations regarding exchange control which derive from their membership of the IMF. However, under Article XVI, if a country undertakes a commitment whose realization presupposes cross-border movements of capital, then it must also allow such movements as are required for this purpose.

Market Access and National Treatment

For international trade in goods it is possible to draw a clear-cut distinction between market access and national treatment. The first concept refers to the right of entry into a country, and the second to non-discriminatory treatment under the country's internal taxes, laws and regulations after such entry. However, in an agreement concerned with supply through commercial presence as well as cross-border transactions, classification of policy measures under one or the other heading can be somewhat arbitrary. This point can be exemplified by the case of an application for the licensing of an additional branch of a foreign bank already admitted to a country. From one point of view the decision on such an application could be considered as belonging to the heading of market access. If, however, the licensing of new branches of existing domestic banks were to require a different and less onerous procedure than that followed for initial establishment, then insistence on the latter procedure in response to each application for a new branch by a foreign bank could be argued to constitute a discriminatory restriction on its operations, and thus a denial of national treatment.

The solution to this problem adopted in the draft GATS is to require under Article XVI (Market Access) that countries specify under the heading of market access in their schedules of commitments conditions relating to quantitative limits on the supply of banking services and on employment in such services, and to restrictions on the legal form of the entity through which such services are provided and on the scale of permitted participation of foreign capital in such entities. The types of limitations and restrictions mentioned in Article XVI cover those widely found in practice in countries' regulatory regimes for banking and would accommodate, for example, the use of an economic needs test and limitations regarding persons employed which would make possible the transfer of skills through on-the-job training for nationals. Under Article XVII (National Treatment) other restrictive conditions related to countries' treatment of foreign banks are to be included in their schedules under the heading of national treatment. Article XX of the draft GATS provides that measures considered inconsistent with both Articles XVI and Article XVII are to be specified in countries' schedules under conditions and qualifications regarding market access.

Infant-Industry Protection

Infant-industry protection is a broad term used by economists to denote measures in support of industries or sectors designed to enable their longer-term commercial viability. The term is not limited to actions directed at imports. It is used primarily, but not exclusively, to refer to policies in developing countries, for which such protection is widely believed to produce substantial benefits.

The approach of GATT to the subject in the case of goods trade is embodied in Article XVIII, which admits derogations from the provisions of this Agreement in the case of certain measures taken as part of policies of economic development, and prescribes the modalities to be followed in such cases. The underlying philosophy of the draft GATS is somewhat different, being expressed in Article IV as a general commitment to increasing developing countries' participation in international trade in services through the strengthening of their domestic services capacity, improvements in their access to distribution channels and information networks, liberalization of market access for their exports, and facilitation of the availability of information required for the success of their export efforts. In a manner more closely resembling the approach of GATT for goods trade, Article XIX of the draft GATS accords

developing countries "appropriate flexibility ... for opening fewer sectors, liberalizing fewer types of transactions, progressively extending market access in line with their development situation and, when making access to their markets available to foreign service providers, attaching to it conditions aimed at achieving the objectives referred to in Article IV".

Infant-industry policies may be expected to involve, in addition to more restrictive policies regarding the granting of market access, the use of taxes, subsidies and, in the case of banking, other measures having similar effects for the purpose of fostering domestic supply capabilities. In some cases the policies in question may be designed to benefit all suppliers in a country, whether they are domestically or foreign owned. But in others the objective may be to support indigenous suppliers only, in which case the measures in question would be discriminatory. Under Article XVII of the draft GATS, infant-industry policies which discriminate in favour of indigenous suppliers can be maintained by countries but must be notified in their schedules of commitments as conditions and qualifications to their observance of national treatment.

The Application of MFN Treatment

The obligation of MFN treatment in the draft GATS is, *mutatis mutandis*, almost identical to that of GATT for goods trade, a country having to "accord immediately and unconditionally to services and service providers of any other Party, treatment no less favourable [with respect to measures covered by the Agreement] than that it accords to like services and service providers of any other country". The offers submitted by countries during the negotiation of commitments under the GATS are inevitably characterized by substantial variation. The absence of a limitation on the automatic extension of MFN treatment to countries by virtue of their participation in the negotiations, could have an unfavourable impact on the quality of offers submitted owing to concern about "free riders", that is to say countries receiving the benefits of such treatment, even though their own offers were inadequate. The solution to this problem is contained in Article XXX which specifies that the Agreement is not to apply as between countries "if either of them, at the time either become a Party, does not consent to such application". This would appear to allow a country to make its willingness to extend MFN treatment to another country dependent on its perception of the quality of the latter's commitments. Exemptions from MFN treatment are to be registered in an Annex to the GATS.

Thus the threat of non-application of MFN under Article XXX can be expected to serve as a vehicle for bringing pressure to bear on countries to improve their offers during the negotiation of commitments. Whilst concern about "free riders" is legitimate, such pressure may be used to frustrate the objective in Article XIX of according greater flexibility to developing countries regarding the extent of the liberalization of market access they are expected to undertake.

Prudential Regulation

Serious weaknesses in the regimes of prudential supervision for banks at national and international levels have been revealed by recent experience, the outstanding event in this respect being the collapse of the Bank of Credit and Commerce International (BCCI) in 1991. Lately there has been a widespread move in OECD countries towards stricter prudential policies. As a result of this shift in emphasis in comparison with the 1980s, the cause of prudential regulation would now be likely to prevail over that of liberalization or deregulation, when there is a conflict between them.

One of the manifestations of the new thrust of policy is increased insistence on adequate supervision in foreign banks' parent countries as a condition for granting them market access. This accords with the recommendations of the Basle Committee on Banking Supervision of July 1992 concerning minimum standards for the supervision of international banks. Firstly, all international banks or banking groups should be adequately supervised on a consolidated basis by a parent-country authority. The second and third principles require prior consent to cross-border bank establishment by parent-and host-country supervisors and the right of the former to information concerning foreign entities for which they are responsible. Fourthly, if a host-country determines that any of these three standards is not being satisfactorily met, then it may impose restrictive measures, including prohibition of banking establishments.

Those parts of the draft GATS which treat domestic regulation include provisions designed to ensure that licensing procedures are neither discriminatory nor applied in such a way as to act as a disguised restriction on international trade in the service in question. For example, the crucial paragraph of Article VI (Domestic Regulation) concerning the relation between supervisory standards and market access specifies that qualification requirements and procedures, technical standards, and licensing requirements should be "based on objective and transparent criteria such as competence and the ability to provide the service; not more burdensome than

necessary to ensure the quality of the service; in the case of licensing procedures, not in themselves a restriction on the supply of the service". Article VII (Recognition) is particularly concerned with ensuring the non-discriminatory application of licensing standards resulting from harmonization under multilateral agreements and arrangements. This would include the efforts of the Basle Committee on Banking Supervision to improve standards of bank regulation.

The Annex on Financial Services of the draft GATS explicitly acknowledges countries' right to take prudential measures "for the protection of investors, depositors, ... or persons to whom a fiduciary duty is owed by a financial service supplier, or to ensure the integrity and stability of the financial system". Moreover reference is made to a country's right not to disclose "information relating to the affairs and accounts of individual customers or any confidential or proprietary information in the possession of public entities". The Annex also specifies that prudential measures inconsistent with the GATS are not to be used as a means of avoiding commitments under the Agreement. These measures would be grounds for recourse to a dispute-settlement panel by the country which considered itself adversely affected.

The question of whether or not recourse to dispute settlement should be possible under the GATS in the case of measures or decisions relating to financial regulation has been a contentious issue during the UR negotiations, a number of South-East Asian countries in particular expressing the view that GATT-like procedures for this purpose are inappropriate for the financial sector. Although the position of supporters of inclusion of such a right is that reflected in the current draft GATS, it remains possible that disagreements concerning this issue have not yet been finally settled.

The GATS in a Future Banking Regime

If a GATS is agreed as part of a successful conclusion of the UR, the rules for international banking which it contains will need to accommodate a regime whose future shape will also be affected by other multilateral regulatory initiatives and by a climate of opinion different from that of the 1980s. These initiatives include directives and recommendations of the EC concerning banking and securities business, guidelines for the regulation of securities firms under study in the International Organization of Securities Commissions (IOSCO), and the results of continuing work by the Basle Committee on Banking Supervision. The changed climate of opinion is not only likely to be reflected in the greater emphasis already mentioned on prudential rigour in policy towards the banking sector but may also be influenced by a broader revaluation of current doctrines concerning the relative merits of different types of financial system.

Discussion of the latter subject during the 1980s served the useful purpose of focusing attention on the high prices of financial services and on other consequences of inefficient supply which can result from protected banking markets. Awareness of these costs has already had far-reaching effects on policies in many countries. But evaluation of the effectiveness of financial systems should not be limited to a bookkeeping analysis of relative levels of costs and profits in different activities. It must also cover the gamut of relations between sources and users of financing.

These relations can be categorized schematically. At one extreme are systems which can be described as capital-market-based, where there is heavy reliance on securities for long-term financing and many aspects of the relations between sources and users of funds have an arm's-length character. The United States and the United Kingdom are usually cited as paradigms of this sort of system. At the other extreme are systems where a much larger role in long-term funding is played by banks, which have a closer involvement in the affairs of those they finance. Here the paradigms cited are Germany and Japan. Although in practice, even in the countries cited as paradigms, different types of financial system are not to be found in a pure form, the categorization is useful for the purpose of discussion.

Those promoting liberalization in the 1980s were in most cases consciously or unconsciously advocates of capital-market-based financial systems. More recently there has been a reaction against doctrines favouring such systems even in countries where they currently prevail. The resulting reassessment has given special attention to the ways in which closer relations between sources and users of financing can contribute to reduced risk and greater attention to the prerequisites of long-term economic performance. Thus a well designed set of rules for international banking should not force countries into a strait-jacket modelled on assumptions concerning the superiority of a particular type of financial system. Rather the rules should be sufficiently flexible to enable countries to choose the features of different types most suited to their needs. The desirability of such flexibility was a point frequently made by developing countries participating in the UR negotiations. The review in this article of the framework of rules for banking in the draft GATS suggests that to a significant extent this objective has been achieved.

GENERAL ASSEMBLY ENDORSES UNCTAD REFORMS, SETS NEW TASKS

The forty-seventh session of the General Assembly was held in the aftermath of UNCTAD VIII and the United Nations Conference on Environment and Development (UNCED) and both events visibly influenced its proceedings. The radical institutional and programmatic reforms adopted at UNCTAD VIII, in particular, were widely welcomed and some delegations even described UNCTAD as a model for institutional reform in the economic and social sectors of the United Nations.[1] The final document of UNCTAD VIII, the Cartagena Commitment, moreover, served as a basis for the General Assembly's deliberations on a wide range of development-related issues. This article recalls some of the salient features of the resolutions adopted during the session which have a direct bearing on the work of UNCTAD.

UNCTAD's Role Reaffirmed

In a resolution on UNCTAD VIII, the General Assembly expressed satisfaction with the adoption and the implementation of both the far-reaching institutional reforms and the agreements reached on refocusing the substantive work of UNCTAD. It went on to endorse the adoption by UNCTAD's Trade and Development Board of the terms of reference of the new intergovernmental machinery. The resolution also reaffirms UNCTAD's role in the field of trade and development and recognizes it as the most appropriate focal point within the United Nations proper for the integrated treatment of development and interrelated issues in key areas including trade, finance, commodities, investment, services and technology.

Commodities and Sustainable Development

The General Assembly's discussion on commodities produced a resolution dealing with several major issues ranging from producer/consumer cooperation, diversification, processing and marketing and distribution to shortfalls in commodity export earnings and the need to fully exploit the Common Fund for Commodities. After noting the decision of UNCTAD VIII inviting the Secretary-General of UNCTAD to hold consultations on the question of a world conference on commodities, the resolution emphasizes the importance of maximizing the contribution of the commodity sector to economic growth and development. It also stresses, in line with UNCED's Agenda 21, that sustainable development of the commodity sector may require such action as the reflection of environmental and resource costs in prices; improvements in the market access and competitiveness of natural products from developing countries with environmental advantages; and improved access for commodity-dependent developing countries to international financial and technical support, including environmentally-sound technologies.

The Least Developed Countries (LDCs)

The LDCs were the subject of a resolution which, among other things, addressed the implications arising from the application of the new criteria for identifying such countries. The resolution can therefore be considered as a timely response to the addition of six new countries to the list of LDCs. It should be noted in this regard that both the Cartagena Commitment as well as the Trade and Development Board have recognized the need to adjust commitments by donor countries in respect of targets and levels of Official Development Assistance (ODA) to LDCs in the light of these additions. The General Assembly reaffirmed that a significant increase in the aggregate level of external support was required. In so doing it took note of the recent decision of the Governing Council of UNDP concerning the adjustment and allocation of indicative planning figures (IPFs) to the LDCs following the increase in their number, as well as the Board's intention to consider the question of the appropriate adjustment of commitments. The General Assembly also welcomed the Board's decision to undertake an in-depth review of domestic and external resource mobilization, including the debt situation and management of these countries, and of ways to improve their trading opportunities.

Island Developing Countries (IDCs)

The General Assembly adopted two resolutions on this subject. The first refers to specific measures in favour of IDCs and appeals to the international community to provide assistance to them compatible with their particular needs. UNCTAD was urged to strengthen its role as the focal point for action at a global level in favour of these countries and to act as a catalyst in this regard. The second resolution, adopted in pursuance of Agenda 21, deals with the convening in 1994 of a global conference on the sustainable development of small IDCs.

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[1] *Details of the reforms and of their implementation are to be found in the 1992 issues of the "UNCTAD Bulletin".*

International Trade Organizations

Following proposals made in the context of the Uruguay Round to establish a Multilateral Trade Organization, the General Assembly had requested a report on strengthening international trade organizations. At the request of the Secretary-General of the United Nations, the UNCTAD secretariat prepared a report outlining the background and the various proposals made to date with regard to the creation of a comprehensive international trade organization. In taking note of the report, the General Assembly requested the Secretary-General to prepare for submission to this year's session an updated report taking into account the positive outcome of UNCTAD VIII and developments in the Uruguay Round.

UNCTAD and the UNCED Follow-up

One of the major concerns of the General Assembly was the establishment of the Commission on Sustainable Development. The outcome of the discussions is contained in a resolution on institutional arrangements to follow-up UNCED. In connection with UNCTAD's role in the follow-up process, the resolution requests the Trade and Development Board to examine the relevant provisions of Agenda 21 and to submit a report containing specific plans to implement them to the General Assembly through the Commission on Sustainable Development and the Economic and Social Council. In this connection, the General Assembly in its resolution on UNCTAD VIII stresses the important contribution that UNCTAD can make to sustainable development in the context of the implementation of Agenda 21 in such areas as trade related and environmental issues, poverty alleviation, commodities and technology issues, and requests UNCTAD to work closely with the Commission on Sustainable Development.

The approach taken by the General Assembly clearly spells out the interlinkages between the work of UNCTAD and that of the Commission, and in this way strikes a balance between environmental and developmental issues in the overall context of sustainable development. It also ensures that the Trade and Development Board will be in a position to bring to bear a development perspective on the work of the Commission. Taken together, the Cartagena Commitment, Agenda 21 and the relevant follow-up decisions by the General Assembly represent a major new thrust in the development agenda of the United Nations.

CALENDAR OF UNCTAD TECHNICAL CO-OPERATION TRAINING ACTIVITIES

Subject	*Date*	*Location*	*Type of activity*
Generalized System of Preferences (GSP)	28 March-2 April	Guatemala	Regional seminar
	6-13 April	Ho Chi Minh City (Viet Nam)	National seminar
	April	Bulawayo (Zimbabwe)	National workshop
	"	Harare(Zimbabwe)	" "
	3-7 May	Cape Verde	National seminar
	May	Malawi	Regional seminar for LDCs
	"	Harare (Zimbabwe)	National workshop
	"	" "	National seminar
	"	Bulawayo "	" "
Insurance	21-22 April	Manila (Philippines)	Regional seminar
Port Management and Development	10-28 May	Ghent (Belgium)	Regional seminar: Commercial Role of Ports
Multimodal Transport	6-12 April	Hanoi (Viet Nam)	National workshop
	20-22 "	Habana (Cuba)	" "
	End April	P. Cortez (Honduras)	" "
	17-21 May	Seoul (Korea)	" "
	24-28 "	Malmö (Sweden)	Interregional seminar
TRAINFORTRADE	29 March-2 April	Saint Lucia	Regional seminar: Trade with EC
	End March	San Salvador	" " " " "
	5-9 April	Barbados	" " " " "
	19-23 "	San Salvador	" " : Commodity trading
	3-7 May	San Salvador	" " " " "
	May	Costa Rica	" " " " "

This calendar appears periodically in the "UNCTAD Bulletin". Persons interested in obtaining further information are invited to contact the Chief, Technical Cooperation Policy and Coordination, UNCTAD, Palais des Nations, 1211 Geneva 10, Switzerland. Tel.: (4122) 907 57 36; Fax (4122) 907 00 43.

TRADE LIBERALIZATION: LESSONS FROM THE CHILEAN EXPERIENCE

Many developing countries are undertaking far-reaching economic reforms, usually including the liberalization of trade regimes. Chile embarked on such a course of action well in advance of most developing countries and its efforts have yielded considerable benefits. At the same time, it has been a lengthy process involving sizeable costs, several of which might have been avoided. In view of its relevance to many other developing countries, the Chilean experience with trade policy reform was made the subject of a special study by UNCTAD, which has now been published.[1]

The wide-ranging changes made in the Chilean economy were implemented in a series of stages between 1973 and 1990. In examining these changes, it is useful to draw a distinction between two phases. The first, during which sweeping reforms were introduced in trade policy and in many other fields, began in late 1973 and ended in 1981. The second phase spanned the years from 1982 to 1990. This period involved more pragmatic policies and included a re-examination of some of the earlier measures.

The Chilean economy grew at an average annual rate of 2.6 per cent during the two periods, but this average encompassed both years of very slow and very rapid growth. The low average growth rate is largely accounted for by the slow pace of investment that marked both periods, making this element worthy of attention.

Orthodox Reforms, 1973-1981

In 1973 the Chilean economy was suffering from high inflation and a deep recession, while installed capacity was seriously underutilized. The economy was heavily regulated, with private and public firms alike subject to an array of microeconomic controls. The magnitude of the macroeconomic imbalances and the ineffectiveness of some policies were key factors prompting a major change of direction.

At the end of 1973, the Government of Chile embarked on a wide-ranging programme of economic reform, mainly in external trade, fiscal affairs, finance and the ownership of the means of production. The trade-related measures included the elimination of virtually all non-tariff barriers, a phased but rapid reduction of tariffs from a simple average of 94 per cent in 1973 to a uniform 10 per cent on all goods in 1979, and the elimination of various mechanisms that muted the impact of external economic forces on the national economy. The main policy tools used to promote exports were the nominal exchange rate and an across-the-board liberalization of imports: between 1973 and 1979 there was a series of mini-devaluations of the exchange rate, but in mid-1979 the nominal rate was frozen in accordance with the monetarist approach to the balance of payments and the Government's goal of lowering domestic inflation.

Financial reforms were undertaken in 1975: banks were privatized, interest rates were decontrolled, credit regulations were eliminated, new financial institutions were authorized, foreign banks were given easy access to the economy and restrictions on capital movements were gradually relaxed. There was also intensive privatization in both the manufacturing and agricultural sectors, with international commercial banks supplying a substantial part of the financing for the former.

Results of the First Phase

Economic performance immediately following the first set of reforms was poor. On the one hand, inflation was held in check, the public-sector budget was balanced, exports soared and a modern private sector began to account for a larger share of production. However, the average annual rate of growth of GDP for the period 1974-1981 was only 2.6 per cent (only 1 per cent more than the population growth rate), with a severe recession in 1975. The trade reforms boosted exports, but also brought about a reversal of the previous import substitution process. The latter effect proved to be more powerful than the former and imports crowded out domestically-produced goods, with adverse effects on production and investment.

One 'standard prescription' in trade reform is to undertake a real devaluation of the currency in order to offset the adverse effects on domestic economic activity of a reduction in tariffs or other import restrictions. Such a compensatory devaluation facilitates the development of exports and efficient import substitution by encouraging resources to shift from the production of non-tradeable and highly protected goods and services towards tradeables and other items that previously received little or no protection.

In Chile in the 1970s, exchange rate policy was at odds with trade policy. Non-tariff barriers were dismantled and tariff rates sharply reduced, but their effects were not counterbalanced by a real devaluation, that is the nominal depreciation of

[1] *The study, "Trade liberalization in Chile" (United Nations publications, Sales No. E.91.II.D.18) was undertaken as part of a technical cooperation project financed by the Governments of Germany, Italy, Norway and Sweden.*

the currency was less than the domestic rate of inflation. Two factors contributed to this. Firstly, in 1976 the Government began to use the exchange rate as an anti-inflationary tool. Initially, the monetary authorities slowed the rate of devaluation but, in 1979, they went further and fixed the nominal exchange rate. Contrary to expectations, however, domestic inflation continued to exceed the rate of change in the nominal exchange rate, with the result that the real exchange rate rose sharply. The second factor was the opening up of access to international capital markets. This resulted in large inflows of international capital in the form of heavy borrowing from international banks, which contributed to the appreciation of the real exchange rate between 1975 and 1981.

This mismatch between a liberal trade policy and the attempt to use the exchange rate as a monetary and anti-inflationary tool was one of the reasons why the disincentives to import substitution outweighed the incentives for export growth and for more efficient production for the domestic market. The financial liberalization which accompanied the trade reforms was also a decisive factor in this process.

Within the totality of imports, consumer goods are usually severely restricted prior to the implementation of trade reforms; imports of capital goods, on the other hand, are often duty free. Consequently, the application of a uniform tariff to all imports, even if it is low, means that imports of capital goods become more expensive while imports of consumer goods become less expensive. As reflected in Chile's case, this encourages the latter and discourages the former, thereby inhibiting investment. Investment for the domestic production of importable consumption goods is made particularly unattractive, given the boost that such imports receive.

In addition to suffering these consequences of the liberalization of imports, investment in Chile in the 1970s fell because of high interest rates, the drop in public investment and the low rate of utilization of installed capacity. The net result was that the rate of gross fixed capital formation for 1974-1981 was below its historical norm.

When investment is low, it is more difficult to restructure supply and the economy can move only gradually away from the inefficient forms of production caused by the previous protectionism. This slow adjustment process will eventually result in the economy becoming more focused on the production of tradeables and, within that category, of exportables. However, this result will have been achieved by recessionary means and a great deal of production potential will have been sacrificed in the process. This is what happened in the Chilean case.

The social dimensions of the adjustment in Chile reflected the poor economic performance. Unemployment climbed to an average of 18 per cent in 1975-1981, the percentage of "informal" workers increased and average wages were below their 1970 level throughout the period. The consequence was that income and wealth became heavily concentrated in the upper strata of the population.

The 1982-1983 Recession and the Subsequent Recovery

By the beginning of the 1980s, Chile's trade and current-account deficits were extremely large and its external debt, measured as a percentage of GDP, was one of the highest of all developing countries. The country was obliged to find a way of sharply reducing its external deficit at the very time of the downturns in international trade and financial markets that were brought about by the slowdown in the developed market economies and the onset of the international debt crisis.

The limitations on developing countries' access to external financing in the early 1980s was accompanied, in Chile's case, by a steep drop in copper prices, an urgent need for fresh funds, a Government that had abandoned all other mechanisms of economic regulation in favour of the automatic adjustment effect of the "dollar standard", and a weakened production system that was overloaded with debt. Consequently, the large external shock was magnified within the domestic economy and GDP plunged 14 per cent in 1982, the largest fall in Latin America, with value added in manufacturing falling 22 per cent.

Although the basic thrust towards economic liberalization was maintained, some changes in economic policy were made in response to these challenges. In particular, the Government undertook a number of devaluations of the currency and the real exchange rate fell fairly continuously after 1981. In addition, tariffs were raised in 1983 and 1984 to a base rate of 35 per cent, before being reduced in stages to 15 per cent at the beginning of 1988.

Production performance in 1982 and subsequent years followed the pattern of the period during and after the 1975 recession. After falling sharply in 1982, production, employment and investment all began to make a gradual recovery. As late as 1989, however, real wages and the real minimum wage were still below their 1970 levels. Production capacity did not grow very rapidly during this period, except in the export sector: the increase in installed capacity over the period 1982-1987 is estimated to have been only slightly greater than the 1.7 per cent annual rate of population growth. Even the

substantial expansion and diversification of exports was not enough in itself to galvanize the rest of the economy.

A steep increase in aggregate demand in 1988-1989 prompted an 18 per cent expansion of output. Production was initially able to grow at such a pace because of the existence of idle capacity. Since production capacity grew by only 7 per cent during the biennium, however, all of the country's installed capacity was soon pressed into use and the economy began to overheat. This was reflected in a rise in inflation and a deterioration in the external balance. Early in 1990, the annual rate of inflation reached 30 per cent, which was more than three times the prevailing rate up to mid-1988. Exports expanded by 19 per cent in the biennium, but imports soared by 47 per cent.

Overall, however, and in contrast with the 1973-1981 phase, the factors prompting an expansion of exports during the second phase proved to be stronger than those causing a reversal of the former import substitution. This was because, by this time, Chile's economy had already responded to the trade liberalization programme. By the second phase, most firms remaining in the export and manufacturing sectors were powerful and dynamic enterprises: lesser firms had not survived the earlier phase. During 1982-1990, tariffs even rose somewhat, which stimulated import substitution. The strongest boost to exports, however, was the fact that the average real exchange rate depreciated in the 1980s compared to the 1970s.

Some Lessons

The productivity of capital in Chile is much greater today than it was in the 1970s because the opening up to foreign trade had the anticipated effects of increasing competition and motivating economic agents to become more innovative and to make better use of economies of scale. However, the Chilean case also suggests that it might have been possible to avoid the high costs of this process, in terms of bankruptcies and the disarray in the production structure, if exchange rate policy had been more realistic in the initial phase, if the trade liberalization process had been more gradual and if international capital movements had been controlled more carefully.

In particular, the Chilean experience suggests that the success of trade liberalization and the costs it entails are closely related to the way in which the exchange rate is handled. It also suggests that the degrees of freedom for determining the real exchange rate are influenced by the Government's policies regarding international financial flows and the domestic capital market.

Another conclusion is that it is necessary to develop a long-term market for investment capital. In Chile, a very large share of the capital in the domestic financial market is for terms of from 30 to 90 days, but a long-term capital market is needed to provide financing for the investments that are necessary to ensure that the required adjustments in the structure of the economy take place. The financial reforms undertaken in developing countries are often not successful in this respect.

With regard to the speed of reform, Chile's record suggests that the choice is not between gradualism and 'shock therapy'. Some measures can be implemented rapidly. For example, full and immediate action can be taken to move from a fixed exchange rate to a crawling peg, to eliminate high and redundant tariffs and to substitute tariffs for quantitative restrictions.

In the remaining areas, however, a more gradual programme, pursued in a way that lends it credibility, may be more effective in ensuring that adjustments are made all along the production frontier and that total output continues to expand at a reasonable pace. While it is sometimes argued that a programme will lose political credibility unless it is implemented suddenly and in full, it is necessary to be aware of the costs involved and of their expected duration. The decision to embark on a process of economic liberalization has to be taken in the light of its possible effects on resource allocation and economic growth. Reform should not be an objective in and of itself, but rather a means of achieving development, with social equity.

With regard to the latter, another conclusion that emerges from the Chilean experience is that liberalization processes tend to increase the degree of concentration in the economy. Measures therefore need to be taken to counter regressive effects on income distribution.

The variety of experience which has been gained in both the micro- and macroeconomic spheres as a result of the reforms in Chile will be invaluable both in helping Chile to meet future economic challenges and as an example for other countries that are undertaking structural economic reforms, particularly the liberalization of their external sectors. Nonetheless, it is important to realize that the liberalization of the Chilean economy was carried out in a particular economic and political context, nationally and internationally, and that the conclusions which may be drawn from that experience cannot simply be extracted and applied without further thought to other countries or in different attendant circumstances.

REVIEWS

CHINA'S "GRADUAL" APPROACH TO MARKET REFORMS

Dwight H. Perkins
UNCTAD Discussion Paper-No. 52,
December 1992

The author of this *Discussion Paper* argues that China's market-oriented reforms did not begin with a fully worked out strategy for changing the economic system. Despite this, however, China has moved a long way toward a market system, but has done so over more than a decade, not in one "big bang". The *Paper's* analysis of China's reforms since the late 1970s leads to the conclusion that the sequencing of reforms appears to have been correct. The country began by marketizing where the process did not involve a fundamental reorganization and retraining of productive units, that is, it began with agriculture and services. Reforms in the more complex urban industrial sphere began later and with experiments in specific regions that, when successful, were extended nationwide. Marketization, even of industry, has been achieved to date without formal privatization of state-owned enterprises. The author acknowledges that the reform process in China is far from complete, but he notes that so far it has been achieved while maintaining an average annual per capita GNP growth rate of over seven per cent.

INTERNATIONAL MONETARY AND FINANCIAL ISSUES FOR THE 1990s

United Nations publication
UNCTAD/GID/G24/1-Vol.1

This volume is the first in a new series of research papers prepared for the Intergovernmental Group of Twenty-Four on International Monetary Affairs (G-24). The Group was established in 1971 to increase the negotiating strength of the developing countries in discussions being held at that time in the IMF on reform of the international monetary system. In 1975 the UNDP agreed to establish a project to provide technical support to the Group in the form of analytical papers prepared by experts recruited for this purpose. Since 1990 the project has been under the direction of Professor G.K. Helleiner and has been financed by trust funds established by the G-24 countries themselves, the International Development Research Council of Canada, the Government of the Netherlands and the UNDP. This first volume in the new series is dedicated to the memory of Mr. Sidney Dell who headed the project from its establishment until 1990. Its contents are listed below.

- *The World Development Report 1991: A Critical Assessment*
  José Maria Fanelli, Roberto Frenkel and Lance Taylor
- *Developing Countries and the GATT Uruguay Round: a Preliminary Balance*
  José Antonio Ocampo
- *Transfers, Real Interest Rates and Regional Development: International Economic Implications of Financial Support for the Economies in Transition*
  Peter Pauly
- *Some Key Global Adjustment Scenarios and their Effects on Major Developing Country Regions*
  David Vines and Chris Allen
- *Bank and Fund Approaches Towards Environmental Issues: the Concerns of Developing Countries*
  C. Nurul Islam
- *The Group of Twenty-Four: Two Decades of Monetary and Financial Cooperation among Developing Countries*
  C. Randall Henning

INDEBTEDNESS, CREDITWORTHINESS AND TRADE FINANCING AND PAYMENT ARRANGEMENTS

Sebastian Schich
UNCTAD Discussion Paper – No. 51,
December 1992

This *Discussion Paper* examines the link between a country's external financial situation and the financing and payment arrangements available to it, using the example of the recent experience of Central and Eastern European countries. In particular it analyses the terms and availability of official insurance cover for export credits to buyers from these countries, the traditional form of East-West trade financing. It finds that when the commercial banks reduced their exposure towards the region a liquidity squeeze ensued, and the costs associated with imports increased as greater use was made of more expensive financing and payment arrangements. This rise in transactions costs was particularly evident in the tightening of the terms and conditions of official insurance cover for export credits. This supports the thesis that all forms of external financing, including those which are officially supported, become more difficult to obtain and more costly for a country as its external financial position deteriorates. Thus, officially supported export credits are capable of adding to a country's external financial stringency.

LATIN AMERICAN ADJUSTMENT AND ECONOMIC REFORMS: ISSUES AND RECENT EXPERIENCE

Patricio Meller
UNCTAD Discussion Paper – No. 53, Dec. 1992

This *Discussion Paper* examines questions such as the difficulties encountered in reducing fiscal deficits, the reasons for the successes and failures of anti-inflationary stabilization programmes, how trade deficits were transformed into surpluses, the problems related to increasing investment and reviving growth and the social costs of economic reforms. It concludes that the implementation of policy reforms and the appearance of results is a slow process measured in years. Moreover, it involves high social costs. Incomes policy should seek to distribute these costs equitably. The author suggests that in Latin America real wage cuts will generate less opposition if they are accompanied by a fiscal reform which reduces public expenditures, increases revenues and creates a minimum social safety net. He notes that while there is considerable scope for this given the low take from direct taxes, governments would have to solve the political problem of how to tax high- and middle-income groups.

THE PRESENT ECONOMIC SITUATION IN ZAMBIA AND THE ROLE OF PRIVATIZATION IN IMPROVING ITS ECONOMY

Trevor Gardner
UNCTAD Discussion Paper – No. 54, Jan. 1993

This *Discussion Paper* attempts to identify the problems faced by Zambia when it embarked on a programme of privatization. After a brief history of Zambia's economy, which since independence has included the nationalization of much of its industry and commerce, the *Paper* discusses the steps needed to carry through a privatization programme. These include the establishment of an appropriate administrative organization; the creation of a legal and financial regime adapted to the needs of the private sector but providing protection for shareholders and for the public interest; the establishment of a stock exchange; consideration of alternative methods of privatization; the preparation of state enterprises for sale and their valuation, prior to sale; and the need to address the social consequences of the programme. The *Paper* emphasizes that there are major and fundamental economic problems of the Zambian economy which must be addressed and concludes that a measured programme of privatization will be successful only if those problems are successfully surmounted.

NOTES

TRAINING FOR COMMODITY TRADERS

UNCTAD's Service on Import Management and Policies for Food Commodities organized two national workshops and one regional seminar in the latter part of 1992. The focus of the workshops, held in Ghana and Guinea in July and October respectively, was on the international trading of rice and sugar. Some 88 food importers from the private and public sectors as well as bank executives were briefed on market developments and on technical, commercial and financial aspects of rice and sugar trading. In December the Service, jointly with FAO and the Agricultural Food Marketing Association for the Near East and North Africa (AFMANENA), organized a wheat trading seminar in Cairo. The seminar was attended by some 80 participants from the private and public sectors of 11 Middle Eastern and North African countries. Speakers included senior executives from major international trading houses. The seminar focus on international procurement and financing techniques was of particular interest to Egyptian participants in view of plans to privatize wheat imports as well as flour mills. Egypt is one of the largest food-importing countries.

TUNGSTEN GROUP MEETS

Twenty-three government and industry experts from as many tungsten producing and consuming countries participated in the annual meeting of the UNCTAD Group on Tungsten on 7-11 December 1992. The Group approved two project proposals for financing through the Second Account of the Common Fund. The first, submitted by China, concerns the development of new grades of cemented carbide. The second was submitted by the International Tungsten Industry Association (ITIA) and involves health and environmental effects testing of tungsten materials. Reviewing market prospects, the Group predicted another year of depressed prices due to the weak activity of the tool-making, automobile and defence industries as well as to the existence of substantial stocks, competition among tungsten materials and by substitutes.

NEW SEMINARS ON PORT MANAGEMENT

Mr. Y. Berthelot, Deputy Secretary-General of UNCTAD on 13 January signed a technical cooperation agreement with the Government of Belgium under which the latter will finance the training of port managers of developing countries.

The contribution for the first year of the two-year project amounts to US$148,000. The training will take the shape of interregional seminars, the first of which will take place next May in Ghent. The overall objective is to enhance the commercial competitiveness of harbours in developing countries.

INTERNATIONAL SUGAR AGREEMENT ENTERS INTO FORCE

The 1992 International Sugar Agreement, the fifth since international cooperation on sugar started in 1937 and the successor to the 1987 Agreement, entered into force on 20 January. Meeting in London on that date, twenty countries and the EEC decided to bring the Agreement into effect among themselves. The Agreement would have taken effect automatically at the end of December 1992 had 60 per cent of the 2000 eligible votes been cast in favour by that time. The countries who took the above decision between them hold 1209 votes. Several other countries have signed the Agreement but have not yet completed their respective constitutional procedures. The Agreement, which was negotiated under UNCTAD auspices, provides the basis for strengthened international cooperation on sugar. It also includes a call for due consideration to be given to environmental aspects in the production of sugar. It does not, however, provide for price regulating measures.

UNCTAD, GATT, ITC PARTICIPATE IN ALGERIA TRADE SYMPOSIUM

Some 500 senior Algerian officials from the public and private sectors took part in a symposium from 30 January-1 February in Algiers on the implications for the country's foreign trade of recent trends in the world economy and in international trade flows and negotiations, in the light of the Government's economic reforms. It included sessions on thirteen different aspects of the main theme as well as six workshops which focused mainly on Uruguay Round-related topics. Following an UNCTAD initiative, participants were addressed by staff members of UNCTAD, the GATT and the International Trade Centre (ITC) and by international consultants. This was the first time that the secretariats of the above three organizations participated together at such an event. The symposium was organized by the Institut Supérieur de Gestion et de Planification, with UNDP financial support, and was held under the auspices of the Algerian Ministry of Foreign Affairs. It is expected that a technical cooperation programme will be launched in support of Algeria's trade policies.

PUBLICATIONS

- Report of the Standing Committee on Commodities on its first session (TD/B/39(2)/4-TD/B/CN.1/6)
- Report of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries - Shipping on its first session (TD/B/39(2)/5-TD/B/CN.4/13)
- Report of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries (TD/B/39(2)/2-TD/B/CN.4/10)
- Agricultural insurance in developing countries (UNCTAD/SDD/INS/1)
- Insurance in developing countries: Privatization of insurance enterprises and liberalization of insurance markets (UNCTAD/SDD/INS/3)
- Report of the Group of Experts on Agricultural Insurance in Developing Countries (UNCTAD/SDD/INS/4)
- Report of the United Nations Ohtsoe Forum on South-South economic cooperation with particular reference to Asia and the Pacific (UNCTAD/ECDC/231)
- Review of major developments in the area of economic cooperation among developing countries (TD/B/CN.3/3)
- Report of the Intergovernmental Group of Experts on Iron Ore on its first session (TD/B/CN.1/5-TD/B/CN.1/IRON.ORE)
- Monthly Commodity Price Bulletin - No. 12, December 1992 (TD/B/C.1/CPB/L.138)
- International Tin Statistics, Bulletin No. 6, October 1992 (TD/TIN.STAT.6)
- Preparation of a protocol extending the international agreement on olive oil and table olives, 1986 with amendments - International cooperation on olive oil and table olives (TD/OLIVE OIL.9/3)
- Report of the ad hoc Working Group on Investment and Financial Flows, non-debt creating finance for development, new mechanisms for increasing investment and financial flows on its first session (TD/B/39(2)/6-TD/B/WG.1/4
- Report of the Chairman of the Meeting of the International Sugar Agreement, 1992 (TD/SUGAR.12/8)
- Regional, subregional and interregional economic cooperation and integration among developing countries (UNCTAD/ECDC/331)

FORTHCOMING UNCTAD MEETINGS

- ***March***
  - ***15-26***
    Trade and Development Board, thirty-ninth session, second part
- ***April***
  - ***13-16***
    United Nations Tropical Timber Conference, 1993, first part
  - ***19-23***
    Joint Advisory Group on the International Trade Centre UNCTAD/GATT
  - ***19-7 May***
    UN/IMO Plenipotentiary Conference on Maritime Liens and Mortgages

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UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT

EDITORIAL

The *Least Developed Countries 1992 Report*, released in March by UNCTAD, reveals that economic performance in the early 1990s has been below expectations in most of the world's 47 weakest nations. Distressingly, per capita income in these countries as a group – which account for a tenth of the world population – has fallen in the past three years. Adverse developments in the global economy combined with domestic factors have dampened the hopes generated by a decade of progress, albeit slow, in the 1980s and by the adoption in 1990 of a United Nations Programme of Action for these countries.

Recent experience in the LDCs has not, however, been uniformly negative. A number of African and Asian LDCs have successfully undertaken adjustment measures and managed to raise domestic savings and investment. Many others have initiated reforms in critical areas such as population policies and strengthening food security. Though the conditions under which these LDCs have achieved economic growth differed widely, it is significant that all of them have experienced internal stability, a strong government commitment to development, and a sound political and regulatory framework.

On the other hand, there are many LDCs where the development process has come to a virtual standstill. The catastrophe in the Horn of Africa is the most telling example, but civil wars and natural disasters have also taken a heavy toll in terms of human lives and physical destruction in several other LDCs. Invariably, income levels and indicators of human development have declined. Resolving the problems of governance or of reaching a consensus among conflicting parties in such countries is clearly a precondition for the success of any reforms.

The predicament of many LDCs is by no means entirely due to domestic factors. Indeed, the global recession has had a marked, perverse impact on their economies. World prices of their major export products have declined further, often resulting in stagnating or falling export revenues. Private remittances, a major source of foreign exchange in many of them, have shrunk due to reduced employment opportunities overseas for their migrants. Thirdly, growing budgetary constraints in traditional donor countries and the increasing claims on aid resources have resulted in a slackening of development finance flows to LDCs.

While most LDCs have embarked on a process of domestic reform, therefore, the recent experience of some countries shows that the process is fragile and that the possibility of a halt to, or a reversal of, the reforms is high. As the Secretary-General of UNCTAD, Mr. Kenneth K.S.Dadzie, observes in his *Overview* to the *Report*, this "would have consequences that reach beyond the economies of the LDCs themselves: social and economic collapse, ecological damage, food insecurity, migration and massive displacement of populations". The message is clear: it is incumbent upon the LDCs to persevere with the implementation of reforms and upon the international community to ensure that reforms are safeguarded in LDCs where they have taken root, in line with the commitments undertaken by both sides in the Programme of Action.

The United Nations Conference on Trade and Development (UNCTAD) was set up by the General Assembly in 1964 as one of its permanent organs, mandated to promote international trade, particularly that of developing countries, with a view to accelerating their economic development. UNCTAD has evolved into a universal forum with a development perspective, in which member States review the interdependence of economies and of issues in trade, money and finance. UNCTAD is composed of 185 member States, including the 181 members of the United Nations; many intergovernmental and non-governmental organizations have observer status. The Conference normally meets every four years at ministerial level to establish policy guidelines. Between sessions, work is carried out by the Trade and Development Board and its standing committees, working groups and other subsidiary bodies. The problems of the least developed countries and of Africa's economic recovery receive special attention in UNCTAD's work. The UNCTAD staff-part of the United Nations Secretariat-numbers about 400 and is headed by a Secretary-General, currently Mr. Kenneth K. S. Dadzie (Ghana).

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Michael C. Bonello, Editor

BOARD SPRING SESSION OUTCOME

At the end of its spring session on 26 March, UNCTAD's Trade and Development Board issued a communiqué summarising the results of its deliberations. The text of the communiqué is reproduced below:

"In the second part of its thirty-ninth session, the Board discussed trade policy reform in developing countries, developments in the Uruguay Round, human resources development for trade, the Programme of Action for the Least Developed Countries (LDCs) for the 1990s, the implementation of the United Nations New Agenda for the Development of Africa in the 1990s, UNCTAD's activities pertaining to sustainable development, structural adjustment for the transition to disarmament and the United Nations International Symposium on Trade Efficiency scheduled for autumn 1994.

The Board recognized that trade liberalization was an important tool for increasing economic efficiency and improving resource allocation and growth in all countries. There was a consensus that the international community should support these efforts in developing countries, particularly the least developed, especially through adequate improved market access and increased flows of financial resources and debt relief.

The Board decided to transmit a message to the Governments participating in the Uruguay Round negotiations recalling that there should be an early, balanced and successful conclusion to the Uruguay Round as a prerequisite to a return to the path of growth, trade expansion and an improved world economic climate *(see box)*.

The Board agreed that the objectives stated in the Programme of Action for the LDCs for the 1990s could be fully realized through a strong and committed partnership between the LDCs and their development partners. The Board emphasized the need for the formulation of medium- to long-term strategies for socio-economic development, for which sustainable good governance was considered necessary. The DAC donors were urged to fulfil aid targets and commitments to the LDCs. The efforts made by the LDCs in respect of reform measures were appreciated.

The Board affirmed that there were compelling reasons for Africa to continue to pursue cooperation and integration as a central element of development. The Board stressed the importance of strengthening regional infrastructures, transit facilities, transport and communications, support for structural adjustment programmes, harmonization of policies, the private sector and human resources development. The international community was urged to increase its financial support for integration projects at the subregional and regional levels.

The Board decided on areas of future activities for UNCTAD in the field of sustainable development and agreed that the theme of trade and environment should feature on the agenda of its future sessions. Other substantive areas of follow-up to Agenda 21 by the Board and its subsidiary bodies would include aspects of Agenda 21 relating to commodities, technology, services, poverty and privatization.

The Board agreed that more assertive action in the area of human resources development for trade, through combined efforts by Governments, the business community and training institutions would pay dividends in terms of technological development, international competitiveness and other determinants of trade performance and called for enhanced international cooperation in this area.

The Board decided that, at its next session, it would establish terms of reference for an Ad Hoc Working Group to explore the issue of structural adjustment for the transition to disarmament. To this end, the President of the Board was requested to conduct informal consultations in mid-June on the draft terms of reference.

The Board welcomed and endorsed the generous offer of the United States to host the United Nations Symposium on Trade Efficiency in Columbus, Ohio, in 1994."

MESSAGE TO GOVERNMENTS IN URUGUAY ROUND NEGOTIATIONS

"The Trade and Development Board of UNCTAD .... considered developments and issues in the Uruguay Round of particular concern to developing countries. In this context, the members of the Board stress that an early and successful conclusion of the Uruguay Round should be viewed as a prerequisite to a return to the path of growth, trade expansion and an improved world economic climate. It is the only way to strengthen the international trading system at present and to give confidence to developing countries and economies in transition that would encourage their economic and trade liberalization reforms.

The Draft Final Act of the Uruguay Round should be finalized in a balanced manner, taking into account all issues of interest to developing countries and their development, financial and trade needs in accordance with the Punta del Este Declaration, and be supplemented by a comprehensive market access package on goods and services, in particular covering items of export interest to developing countries. Special attention should also be given to the problems of the least developed countries with a view to integrating them in the global trading system. An evaluation of the results of the Uruguay Round from the point of view of the developing countries is foreseen in .... the Punta del Este Declaration.

The members of the Board recognize the urgency of all Governments participating in the Uruguay Round, and in particular the major trading nations, exercising fully their responsibilities and leadership, and attributing the highest political priority to bringing these negotiations to an early and successful conclusion."

THE PARIS CLUB: A GROUP OF DEBT COLLECTORS OR A DEVELOPMENT-ORIENTED INSTITUTION?

Francesco Abbate *

The Paris Club was created in the mid-1950s to deal with the liquidity problems faced by a small number of debtor countries, mostly from Latin America. The debt crisis of the 1980s caught the Paris Club unprepared and its response was slow. Until 1987 it continued to apply virtually the same terms to all rescheduling countries, insisting on a short-leash approach and orienting relief toward meeting immediate cash-flow requirements. Non-concessional debt was consistently rescheduled at market interest rates.

Recent Improvements

Over the past six years, however, Paris Club practices have improved considerably, most notably following the Toronto agreement of 1988 when, for the first time, creditor governments recognized the need for debt reduction with regard to non-concessional official debt owed by low-income countries. Other improvements include:

- the application of the concept of debt reduction to the entire stock of debt rather than only to arrears and maturities falling due during a relatively short "consolidation" period. This approach was first applied to Poland and Egypt, and will eventually benefit the low-income countries under the "enhanced Toronto terms" adopted in December 1991;
- the reintroduction of multi-year rescheduling agreements (MYRAs), with a life of up to three years and linked to medium-term IMF programmes;
- an increasingly differentiated treatment of debtors, which has resulted in three categories: low-income countries, eligible for the enhanced Toronto terms; lower middle-income countries, offered the "Houston terms", involving 15-20 year maturities; and other middle-income countries, which receive standard 10-year maturities;
- increased flexibility in the coverage of rescheduling, with a higher proportion of debt service obligations being consolidated. Official creditors, unable to produce appropriate terms within their given guidelines, have made concessions on previously rescheduled debt and most recently with regard to other obligations which are generally not eligible for rescheduling.

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Action Required: More Debt Reduction and an Improved Institutional Framework

Despite these improvements, Paris Club terms are not yet well adapted to debtors' capacity to pay and are therefore likely to lead to further pressure on external payments. This applies to all categories of debtor countries. Bolder action is needed in two key areas: debt reduction and the institutional framework for official debt relief.

The Scale of Debt Reduction

While the concept of debt and debt service reduction has been widely applied since 1988, several aspects require further improvement. These concern the scale of debt reduction, eligibility criteria and the appropriate time frame for implementation.

In December 1991, the low-income countries became eligible for the enhanced Toronto terms, which provide for a 50 per cent reduction in the net present value of the amount of arrears and debt service payments due during the consolidation period. Paris Club creditors also agreed to consider a reduction of the entire stock of debt three or four years after the first agreement under the new terms. Some creditors, notably the United States and Australia, however, have not accepted the new concessional treatment and continue to apply extended maturities of 25 years and market-related interest rates.

The UNCTAD secretariat assessed the likely impact of the enhanced Toronto terms on the projected debt service ratios of 22 eligible low-income countries. It concluded that for half of them the new terms would reduce debt service obligations to a level compatible with their capacity to pay. For the other half, however, debt burdens would still remain too high. A similar conclusion has been reached by the World Bank.

Several creditors, namely the EC and the Nordic countries, have acknowledged the inadequacy of the new terms and are ready to adopt the "Trinidad terms", which envisage a two-thirds debt reduction. The Nordic countries would indeed be willing to go as far as an 80 per cent reduction. Such a favourable creditor attitude could be concretized if the forthcoming Tokyo summit of the Group of 7 agreed on the need for additional debt relief for the low-income countries and adopted the Trinidad terms as a benchmark, with further reductions when needed.

Eligibility Criteria

Countries currently eligible for debt reduction are the debt-distressed IDA-only countries undertaking IMF adjustment programmes. For low-income countries, eligibility criteria should be widened to include all heavily indebted countries that are IDA recipients even if they borrow from the IBRD. Nigeria is a case in point.

The official bilateral debt burden also poses a serious problem for some middle-income countries. While the lower middle-income countries with high levels of such debt benefit from the Houston terms, they do not qualify for debt reduction, apart from a limited amount of voluntary debt swaps. The 50 per cent reductions recently granted to Poland and Egypt were exceptions to this rule. It is to be hoped that the Tokyo summit will not ignore the other middle-income countries whose burden of official bilateral debt is excessively onerous.

The strong desire to restrict concessional treatment in the Paris Club to low-income countries is understandable. In some creditor countries the necessary funding has had to come from aid budgets, and it was to be expected that aid agencies would insist that rescheduling operations should not divert funds from existing recipients. Moreover, it seems inherently "right" that scarce concessional resources should be reserved for the poorest debtors.

This approach is quite different from procedures available to firms in industrial countries facing debt-servicing difficulties, which allow such firms to reorganize their obligations. The case for restructuring debt is that by writing down some of its obligations and reorganizing the remainder, the firm could regain financial viability, and that creditors would be better off by taking the limited losses implied by debt reduction than they would be under other available alternatives. At no point in this process does the level of income of the firm's management, staff or stockholders influence decisions on the extent of the write-down. Likewise, the income level of the debtor plays no role in determining eligibility for debt reduction under the Brady initiative for commercial bank debt. In both cases, the objective is simply to take those steps necessary to produce, as quickly as possible and at minimal cost to all those who must bear a cost, a financially and economically viable debtor.

The same approach should be applied to debtor countries that are not low-income, whose debt is owed mainly to official creditors and whose medium-term economic prospects are seriously diminished because of excessive indebtedness. Debt reduction by official creditors has a role to play in such circumstances, and it needs to be recognized that its rationale is completely distinct from that governing aid and aid allocation.

The same issue arises in a somewhat different form for middle-income countries whose debt is owed mainly to commercial banks. Here governments have recognized that there may be a need for creditors to accept losses and to grant debt reduction, but do not themselves participate in the process. By assigning themselves the role of privileged creditors, governments reduce their own capacity to play the leadership role that is required of them. Whatever the inducements governments may have at their disposal, the admonition to "do what I say, not what I do" creates a weak posture from which to encourage the banks to be more forthcoming with debt reduction. Creditor governments should, therefore, participate directly in the overall process of bringing claims on debtors into line with debtors' capacity to meet those claims.

THE PARIS CLUB IN BRIEF

- *Since 1956 the Paris Club has been the forum where debtor countries usually negotiate the rescheduling of debt service payments on loans extended, or guaranteed, by the governments or the official agencies of participating creditor countries.*
- *The Paris Club is an informal forum with no statutes or written rules and procedures. Its practices have evolved throughout the years. Meetings are convened at the request of debtor countries and are chaired by a senior official of the French Treasury. OECD countries are the principal members but other creditor countries with similar claims are encouraged to participate. The meetings are also attended by observers from international institutions, including the IMF, the World Bank, UNCTAD and the regional development banks.*
- *Since 1978 UNCTAD has participated in about 200 meetings of the Paris Club involving some 60 countries. UNCTAD presents an analysis of the economic circumstances and future prospects of the debtor country and assesses the need for debt relief in the context of its adjustment and development efforts and its long-term external financing requirements.*
- *The rescheduling process does not end with the multilateral agreement in the Paris Club. Debt relief becomes effective only when bilateral agreements negotiated with individual creditor countries establish the debts covered by the rescheduling and the interest rate on them.*

Time Frame for Debt Reduction

Even if the case for more widespread debt reduction were accepted, there would still be the question as to whether this should be granted piecemeal, or once-and-for-all. Until quite recently, the practice has been to limit the writing down of debt obligations to those falling due in the consolidation period. Debt forgiveness for Egypt and Poland took a different course, involving reductions in the stock of debt, although they are being implemented in stages linked to performance criteria under IMF programmes. The enhanced Toronto terms also contemplate reduction in the stock of debt, but the modalities have not been worked out.

The debate on whether to shift the focus of Paris Club activity from the consolidation period, however defined, to the stock of debt, and how to do so, is likely to be intense. The underlying elements of this debate will be the desire by some to maintain strong links between creditor action and IMF programmes and the desire by others to face now the reality of the mismatch between debt service obligations and present and prospective debt service capacity, and to seek to establish more normal creditor-debtor relations.

Debt reduction is most effective if it is implemented in a single operation, thus removing once-and-for-all the investment disincentives associated with the debt overhang and the uncertainties generated by repeated rescheduling. If a "tranche" policy is adopted instead, creditors' commitment to an overall amount of debt reduction should be made explicit from the start and the bulk of total forgiveness should be given "up front".

Modalities for debt reduction remain a pressing issue for low-income countries benefiting from the enhanced Toronto terms. The Tokyo summit could recommend that the Paris Club review these modalities in accordance with the Trinidad terms, and grant debt reduction in a single operation, to take place at the next meeting with the beneficiary country.

The Institutional Framework

Many Paris Club watchers, including UNCTAD, have long advocated greater coordination between the Paris Club and donor groups – such as Consultative Groups and Aid Consortia chaired by the World Bank, and Round Tables chaired by UNDP – or even the shifting to such fora of official bilateral debt rescheduling for low-income countries. These institutional changes have been called for on the assumption that donors are more sympathetic than creditors to a holistic assessment of a country's need for debt relief and new flows. In this new framework, the views of institutions such as the World Bank and the United Nations would carry the same weight as those of the IMF.

In contrast, the Paris Club gives pre-eminence to the IMF's analysis of the debtor country's financial situation. Since this analysis is undertaken in the context of the debtor's request for IMF support, the need for rescheduling is considered in the light of the perceived financing gap remaining after the receipt of other known sources of external financing, including Fund drawings. The IMF has been criticized for underestimating financing gaps, which leads to inadequate debt relief and repeated reschedulings.

In a sense, therefore, the Paris Club outcome resembles more a co-financing of IMF programmes than the result of an in-depth analysis of debt problems in the context of growth and development prospects. Ideally, in considering the scale and terms of debt relief, both the debt overhang and liquidity constraints should be examined. The Fund approach focuses on the latter and tends to neglect the adverse effect of the debt overhang.

If the rescheduling of official bilateral debt is examined within the context of a donor group, a number of additional benefits could ensue.

- First, this forum could detect and act on a country's debt-servicing difficulties at an early stage, without waiting for the conclusions of lengthy negotiations with the IMF and before arrears start to accumulate. The new institutional framework could avoid moral hazard by attending to the needs of those countries that have managed to meet their debt-service obligations, but only barely and at a high cost.
- Second, the built-in development orientation of a donor group should lead to a more differentiated treatment of debtors, eventually resulting in a genuine case-by-case approach. This might break the rigid Paris Club rules with regard to the debt eligible for consolidation.
- Third, the rationale for institutional changes is strengthened by the fact that since 1988 the Paris Club has granted concessional debt relief and has thus become an aid provider. The need for close coordination, or merger, with donor groups is even greater today. These fora could also monitor the additionality of debt relief measures and encourage non-Paris Club creditors to grant comparable treatment.
- Finally, a single meeting on debt and finance would reduce considerably the high "transaction costs" currently borne by low-income countries with scarce financial and managerial resources in the extensive preparation, negotiation and monitoring of separate, uncoordinated meetings of the Paris Club and donor groups.

RISK MANAGEMENT IN COMMODITY TRADING

One of the risks inherent in international commodity trading is the high volatility of prices. In response to the demand, mainly from developed country producers and traders for ways to reduce their exposure to changes in commodity prices, a set of complex tools – usually referred to as commodity price risk management instruments – has been developed. This article reviews some of the problems which commodity price volatility gives rise to, describes the most widely-used risk management instruments and examines the constraints on their use by developing countries.[1]

Impact of Price Volatility

Prices on commodity exchanges can experience marked fluctuations, even within short periods of time. Over the past decade, for example, sugar prices have varied between 2.5 and 41 cents per pound, coffee prices between 60 and 303 cents, cocoa prices between 49 and 147 cents, aluminium prices between 42 and 162 cents, and copper prices between 58 and 159 cents.

Such severe price fluctuations impact negatively on developing countries which rely heavily on commodities for their export earnings. Capital productivity is likewise badly affected since allocative decisions are more difficult to take in a volatile environment. It should be noted that 81 developing countries are still dependent on only one or two commodities for more than 50 per cent of their export earnings. This dependence is particularly high in Africa where 37 countries earn more than 90 per cent of their export earnings from commodities.

At the micro-economic level, sharp price fluctuations make it difficult for primary commodity producers and exporters to maintain overall profitability. They are continuously exposed to uncertainty in terms of the actual price they will receive in the future for a commodity available for sale immediately. If at a given moment, the prevailing market price is high enough to generate a profit for an exporter who holds a saleable stock of a particular commodity, he may find that, by the time he finds a buyer, the price has dropped sufficiently to produce a loss on the sale.

Risk Management Instruments

Risk management instruments may provide for a full or partial reduction of commodity price risk exposure, either by locking in to-day the price a seller will receive for a commodity delivered in the future, or by protecting the seller against unfavourable price movements which may occur in the future. A commodity exporter who covers his price risk totally, or in part, is said to hedge his price risk. He can choose to hedge through the use of instruments that are standardized and traded on organized commodity exchanges, or he can decide to use the so-called over-the-counter market where the instruments are not standardized.

Standardized contracts provide for a specific quality, volume and delivery time and procedures. They are traded on commodity exchanges where they take the form of futures contracts and standardized options. Standardized contracts eliminate the need to negotiate contract specifications; this results in faster and cheaper deals and therefore increases the volume of transactions and the liquidity of the market.

By contrast, over-the-counter instruments are not standardized and are not traded on organized exchanges. They are contracts resulting from direct negotiations between two parties and are tailor-made to the needs of the signatories for a specified period of time. Forward contracts and non-standardized options, among others, are traded in the over-the-counter market. They are offered mostly by trading houses and financial institutions such as banks.

As there are several ways a producer or exporter may hedge his price risk, he will have to decide which instrument is best suited to his needs in terms of marketing strategy and internal corporate constraints. The main instruments used for hedging price risks are forward contracts, futures contracts, options, executable orders, swaps and commodity price-linked bonds and loans.

A *forward contract* is an agreement between two parties to sell or buy a specified quantity of a given commodity at a pre-determined price and at a fixed future date. The product must be physically delivered by this date. Therefore, no matter how much the actual, or spot, price of the commodity fluctuates after the agreement is made, the seller is certain that he will receive the contract price. A forward contract thus eliminates the risk of price changes for both the seller and the buyer.

Futures contracts are, in subtle ways, different from forward contracts. They are also agreements to sell or buy a specified quantity of a given commodity at a pre-determined price. On the other hand, physical delivery of the product in fulfilment of the contract is not necessarily implied. The transaction is usually offset by an equivalent reverse transaction on the futures market before

[1] *For a fuller discussion, see "A survey of commodity risk management instruments" (UNCTAD/COM/15).*

maturity. Futures contracts are therefore "papers" containing standard specifications which are traded on commodity exchanges, and it is the constant interaction of sellers and buyers on the exchange floor which determines their price.

In order to hedge on the futures market, a commodity producer planning a physical sale in, say, three months' time would, at the time of planning – when the prevailing spot price is, say $1000 per tonne –, sell a futures contract with a three-month maturity at, say $1050. This is called price fixing. When he actually sells the commodity in question – the spot price having fallen to $900 in the meantime –, he simultaneously buys a futures contract identical to the one he had sold initially. Since prices on the spot and futures markets tend to move in harmony, it can be assumed that he would pay a reduced price for the futures contract, say $950. As a result, the loss of $100 incurred on the physical sale is offset by a $100 profit on the futures transactions. The producer has thus effectively locked in his price at $1000, the $900 he received on the physical sale and the $100 gained on the futures market.

Options are risk management instruments that do not lock in prices, but protect against unfavourable price movements, while maintaining the possibility to profit from favourable ones. An option contract is the right, not the obligation, to sell or buy a given commodity at a pre-determined price before a certain date. It can be compared to a kind of insurance taken against adverse price fluctuations; the price paid for the contract is, in fact, called a "premium".

The use of futures and options markets can also be indirect. Physical sales contracts often contain clauses guaranteeing floor prices, price increase sharing agreements and the like, which refer to prices expressed as a function of specified future price quotations on a commodity exchange. An *executable order* is the most frequently used sort of contract which has such pricing clauses.

Other risk management instruments which are available on the over-the-counter market, such as *swaps* or *commodity price-linked bonds* and *loans*, are longer-term mechanisms for combining the raising of investment finance with protection against price fluctuations.

Constraints on the Use of Risk Instruments by Developing Countries

The use of commodity price risk management instruments, particularly those traded on commodity exchanges, requires appropriate skills and constant monitoring, as well as financial resources. If risk management activities are performed with speculative intentions rather than for hedging operations to cover price risks, serious losses may be incurred.

A major obstacle to the use of these instruments by developing country firms derives from the requirement that participants in commodity exchanges have to make a deposit in convertible currencies, called the initial margin, within 24 or 48 hours of a deal. The purpose is to reduce eventual default or the credit risks inherent in futures transactions. For the same reason, commodity exchanges request those with positions on the market to make daily deposits, or margin calls, in order to reflect the effects of price fluctuations on their positions. This means that firms engaged in futures operations must have rapid access to convertible currencies to honour initial margins and margin calls. The banking sector in most developing countries, however, is not familiar enough with these operations to provide the necessary credit. Besides, bank liquidity is itself often tight. In some developing countries, finally, banks do not have direct access to international money markets; they usually pass through developed country banks with the result that the convertible currencies are long and expensive to obtain.

Many developing country governments tend to have a reserved attitude towards the use of risk instruments by their commodity exporting firms, associating such use with speculation. They are generally unfamiliar with the real advantages and disadvantages of risk management activities and with ways of limiting them to legitimate hedging operations. Another constraint is that commodity exporters in developing countries often do not have the necessary expertise or internal corporate characteristics, such as proper accounting systems or monitoring facilities, to operate effectively on these markets.

Technical Cooperation on Risk Management

UNCTAD's ongoing work on the use of risk management instruments by developing countries has recently gained new momentum, particularly after UNCTAD VIII called on the secretariat to explore new approaches to minimizing the risk arising from commodity market fluctuations; and to provide technical cooperation and policy advice to developing countries on commodity trading.

In this context, even before UNCTAD VIII, the TRAINFORTRADE Programme had started to develop, with the financial support of the Governments of France and Switzerland, a computer-based course on commodity price risk management covering the cocoa, coffee, cotton, palm oil and sugar markets. This course has already been given with success in several developing

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THE OLIVE OIL ECONOMY AND INTERNATIONAL COOPERATION

Producers and consumers of olive oil and table olives met under UNCTAD auspices last March to draw up a Protocol to the 1986 International Agreement on Olive Oil and Table Olives which was due to expire later this year. This article reviews the market situation as well as the state of international cooperation.

Market Characteristics and Trends

Spread over 8 million hectares throughout the world, some 830 million olive trees produce between 1.5 and 2.2 million tons of olive oil annually. Production is particularly influenced by climatic factors, and, as the chart shows, year-to-year fluctuations can be very pronounced. Thus, production in the 1991/92 crop year is estimated to have bounced back by over 45 per cent from the previous year's level. Spain, Italy and Greece account for approximately three quarters of world olive oil production. They are followed by Tunisia (9 per cent), Turkey and Syria (4 per cent), Morocco (3 per cent) and Algeria (1 per cent).

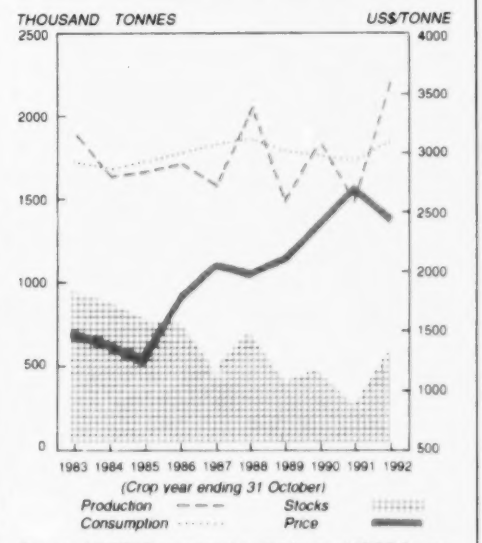
The uneven pattern of olive harvests and market supply contributes to relative price instability and to fluctuations in producers' incomes and in export earnings. The underlying price trend for olive oil has nevertheless been upward in recent years, with prices almost doubling to $2650 per tonne in the four years to 1991. The sharp rise in production in 1991/92 caused the price to fall back to $2350 per tonne.

Consumption of olive oil has tended to exceed production on average, and stocks have been drawn down. Indeed, consumption levels have been maintained in spite of rising prices – the price of olive oil remains well above that of refined vegetable oils. This growth in consumption is in part attributable to the increased health-consciousness of consumers combined with a growing awareness of the beneficial qualities of olive oil.

The major producers of olive oil are also its main consumers. Thus the EC, which produces over 76 per cent of the world total, accounts for close to 74 per cent of world consumption. As a result, only about 16 per cent of world olive oil production is normally traded, accounting for 6 per cent in quantity and 23 per cent in value of world trade in fluid edible vegetable oils (including intra-EC trade).

Total world exports amount to around 280,000 tons annually of which Italy, Spain and Greece account for some 53 per cent, up slightly from their 1980s share. They are followed by Tunisia, whose share has increased to 32 per cent,

WORLD PRODUCTION, CONSUMPTION, STOCKS AND PRICE OF OLIVE OIL



Source: UNCTAD secretariat on the basis of IOOC figures. Data for 1991/92 are estimates

Turkey (5 per cent) and Morocco (3 per cent). Major importers and their respective shares in total world imports are the EC (extra-Community trade only, 30 per cent), USA (29 per cent), Libya (6 per cent), Brazil (4 per cent) and Australia (4 per cent).

The market for table olives shares similar characteristics as that for olive oil. Production and consumption have tended to rise gradually in closer synchronization than in the case of olive oil, such that stocks have been more stable while tending to increase. Price fluctuations, on the other hand, have been sharper but the average price level has not changed much. Prices in 1992, for example, were at the same levels as in 1986 and 1989.

Spain is the world's largest producer and exporter of table olives. It accounts for 45 per cent of world exports. Morocco has become the second largest exporter of table olives with a share of 25 per cent, followed by Argentina and Greece, each with 10 per cent.

History of International Cooperation

International cooperation on olive oil dates back to 1956, when the first International Olive Oil Agreement was negotiated under the auspices of the United Nations. It came into force in 1959. This was followed by a second agreement which entered into force in 1963 and by a third in 1980.

The fourth, and current, International Agreement on Olive Oil and Table Olives was negotiated in 1986 but entered into force definitively in 1988. Its members are Algeria, Cyprus, the EC, Egypt, Israel, Morocco, Tunisia, Turkey and the former Yugoslavia. Together they account for more than 96 per cent and 86 per cent of world exports of olive oil and table olives, respectively.

Like its predecessors, this Agreement does not provide for price regulation through market intervention. It is rather designed to foster international cooperation for the integrated development of olive products. Among its objectives are the expansion of trade and the standardization of olive products; the modernization of olive cultivation and olive oil extraction and the transfer of technology and training, designed to reduce production costs and improve quality; and the defence and promotion of trade in olive products.

Since antiquity the olive tree and its oil have played an important role in the culture of the Mediterranean region. According to Greek mythology the olive tree was introduced to Greece as a result of a fight between two gods, Poseidon and Athena, over the possession of Attica. Zeus decided that this land would belong to the god who would give the most useful gift to humanity. Poseidon struck the Acropolis with his trident and from it emerged the first horse. Athena created the first olive tree and filled it with fruit. The court of gods judged that mankind would benefit more from the olive tree and Athena was declared the winner. To thank the goddess, who became their protector, the Greeks founded the town of Athens.

The International Olive Oil Council

The International Olive Oil Council (IOOC), located in Madrid, is entrusted with all these tasks, and exercises all the powers necessary to carry out the provisions of the Agreement. For this purpose, the Council appoints a number of subsidiary bodies.

The Economic Committee provides a forum for the exchange of statistical information. It produces estimates on crop year figures of supply and demand for olive oil, analyses market conditions and elaborates measures to improve the market. The Committee is also concerned with bringing international trade standards and the norms relating to the methods of analysis for olive oil and olive-pomace oil into line with the Agreement, and with their international application and observance. Similar activities with respect to table olives are performed by the Table Olive Committee.

The Technical Committee is entrusted with technical cooperation for IOOC members, such as training activities, research and development and the publication and dissemination of technical material. The Committee also elaborates and submits to the Council draft project proposals for financing through the Second Account of the Common Fund for Commodities.

The Sub-Committee for Olive Oil Chemistry of the Technical Committee deals with methods of analysis and with the assessment of, and standards for, olive oil. It is concerned with harmonization of general definitions of various types of olive oil, the elaboration of methods of analysis and the preparation of improvements to the international method for organoleptic assessment of virgin olive oil. It also proposes to the Council the granting of IOOC accreditation certificates for virgin olive oil testing panels and monitors their performance.

The Promotion Committee carries out educational and information programmes for consumers aimed at increasing consumption. The Council has fostered the creation of national olive oil associations which help in promotional campaigns, in guaranteeing high-quality olive oils and in ensuring the prevention of fraud and adulteration. It circulates scientific research findings, conducts quality control and prepares market research studies. Finally, the Council has a Financial Committee for the Publicity Fund and an Advisory Committee.

Extension of the 1986 Agreement

In March 1992 the Council set up a Special Committee to prepare a Draft Protocol for the Extension of the International Agreement on Olive Oil and Table Olives, 1986 which was due to expire on 31 December 1993. The Preliminary Draft Protocol drawn up by the Special Committee, and approved by the Council, was submitted to the United Nations Conference on Olive Oil and Table Olives, 1993, which met in Geneva from 8 to 10 March under UNCTAD auspices.

The Conference adopted a Protocol amending and extending the 1986 Agreement until the end of 1998. The Protocol confirms the importance attached to technical cooperation for olive cultivation and for oil extraction and processing, and allocates 500.000 ECUs for this purpose. A similar amount has been provided for the Publicity Fund. It also calls on member countries to give due consideration to environmental aspects in all stages of olive and olive oil production. Countries participating as observers have been invited to join the Agreement in order to extend its cultural and geographical scope.

SHOULD DEVELOPING COUNTRIES ENCOURAGE STOCK MARKETS ?

*Ajit Singh**

In a famous passage in the *General Theory*, Keynes observed:

"As the organization of investment markets improves, the risk of the predominance of speculation does, however, increase. In one of the greatest investment markets in the world, namely New York, the influence of speculation (in the above sense, i.e. "the activity of forecasting the psychology of the market") is enormous. ... Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done."

That was yesterday. To-day, however, stock markets are being established or encouraged almost everywhere in the developing world, from Jamaica to Outer Mongolia. Despite the recent stock market scam in India, almost every important city in the country either already has, or is about to have, a stock exchange. Interestingly, stock markets are being favoured not just by Bretton Woods institutions as one would expect, but also by heterodox economists. For example, a WIDER Study Group in 1990 strongly recommended the establishment of such markets in poor countries in order to attract portfolio investment funds from rich countries. More significantly, the communist Government in China, having provided an ideological justification for their use, is fast expanding stock markets.

Contrasting Assessments

Notwithstanding the almost universal enthusiasm in developing countries for stock markets, it is necessary to be cautious about the role of these markets in economic development. This is not just because of Keynes' strictures about the virtues of the stock market in relation to a country's investment needs. More importantly, there is considerable concern to-day in the United States and Britain – countries where stock markets are most advanced and reign supreme – about the negative effects of these markets on their competitiveness *vis-à-vis* countries like Germany and Japan, where equity markets are far less significant in relation to industrial investment. A growing number of economists and industrialists in both the United States and Britain believe that stock markets give rise to competitive disadvantage because of the short-termism they inevitably generate. They tend to become vehicles for short-term gains through, for example, leveraged buy-outs and hostile take-overs, rather than for promoting long-term investment.

Theories and Evidence

Against the background of these contrasting assessments of the role of stock markets in competitiveness and long-term investment and innovation, developing countries need to ask how precisely stock markets help in the industrialization process. An examination of the channels through which stock markets may promote development and how effectively these channels work in practice suggests that, in principle, a well-functioning stock market may help the development process through increasing savings by providing households with additional vehicles for their funds which may better meet their risk preferences and liquidity needs; by an efficient allocation of investment resources; and by a better utilization of existing resources. An efficient market will achieve the second objective by assigning higher share prices to the more successful and profitable companies, thereby reducing the cost of capital to them relative to the less successful companies whose shares are priced at a lower level. The better utilization of existing assets, meanwhile, is achieved through the take-over mechanism. Firms which are inefficient or unsuccessful are weeded out by take-overs in the stock market and the successful ones selected for survival by this Darwinian mechanism.

This is the theory. But research on stock markets in advanced countries, where they may be expected to function most efficiently, shows that reality is very different. There is evidence that over the period 1970-1985 the equity market's net contribution to the investment needs of the non-financial corporate sectors both in the United States and Britain was negative. This means that corporate new issues in these two countries were more than matched by a net redemption of corporate shares, mainly because of take-overs. In most industrial countries, in fact, the main source of corporate finance is "retained earnings". To the extent that companies do use external funds to finance their investment needs, bank finance is found to be by far the most important source of outside funds.

The pricing of shares is critical to how well the stock market can perform its allocative functions. It is useful here to make a distinction between two concepts of efficiency of share prices: the

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A full-length version of this article will appear in the forthcoming "UNCTAD Review".

"fundamental valuation" efficiency, and the "information arbitrage" efficiency. The latter refers to how quickly all available information is disseminated throughout the market and is incorporated in share prices. The former concept refers to the notion of efficiency in the sense that relative share prices reflect the "fundamentals", that is the relative long-term expected profitability of firms. There is a large body of evidence from advanced country stock markets which indicates that share prices on these markets are generally efficient in the "information arbitrage" sense: all new information is quickly reflected in share prices. There is, however, far less evidence that actual prices prevailing on the London or New York stock exchanges are "efficient" from the point of view of fundamental valuation. Many studies have called attention to myopia, fads and the domination of stock market prices by short-term considerations. It was the influence of short-termism and speculators on the stock markets that led Keynes to liken the stock market to a gambling casino.

As for the take-over mechanism, empirical studies of the actual nature of the take-over selection process on the stock market show that, contrary to the folklore of capitalism, in general it is not the case that only unprofitable companies are taken over, or that the greater the profitability (or the stock market valuation) of a company, the correspondingly lower its chances of acquisition. Evidence from a wide range of studies on Britain, the United States and other industrial countries indicates that the take-over selection takes place only to a very limited degree on the basis of profitability; it does so much more in terms of the size of the company. A large, relatively unprofitable company has a much greater chance of being immune from a take-over than a much more profitable but small company. In fact, in the real world stock markets, making an acquisition to increase size might itself become a tactic to avoid being taken over.

Conclusions

The analysis suggests that, even with well-organized and complex stock markets such as those existing in the United States and Britain, the stock market is unable to perform well its disciplinary and allocative tasks; nor is it conspicuously successful in promoting savings. However, there is also evidence as well as strong analytical grounds for believing that these and related shortcomings of stock markets, such as speculation and a lack of long-term investor commitment to corporations, may play a significant role in putting the stock market-dominated economies of the United States and Britain at a competitive disadvantage in relation to countries such as Germany and Japan. These unfavourable aspects are likely to be particularly important in developing countries with undeveloped stock markets and high volatility of share prices.

To the extent that developing countries to-day have a choice, therefore, they should attempt to foster bank-based financial systems more along the lines of those of Japan and Germany, rather than to establish and encourage stock markets. Historically, these bank-based systems have a proven record of successfully promoting industrial development in these countries. At the same time, the experience of the last two decades with bank-based systems in developing countries suggests that the latter should pay particular attention to questions of proper regulation of banks and to the prevention of monopolistic and other abuses by them.

To be realistic, however, it is clear that stock markets in developing countries are to-day a part of the new economic landscape and, notwithstanding their dubious merits in relation to economic development, they are there to stay. The question, therefore, arises as to how the negative features of stock markets in relation to the promotion of industrial investment can be mitigated.

In this respect, it would appear that developing countries should, as a matter of general policy principle, attempt to insulate the real industrial economy from the influence of the stock market. In this context, they should give priority to preempting the development of a market for corporate control by adopting institutional arrangements of the German-Japanese type. Governments should also examine schemes of taxation to reduce share turnover; and, to the extent that institutional investors, such as pension funds, are public agencies, they could use them to maintain more orderly markets. Finally, governments should encourage product market competition to discipline corporations rather than rely on the stock market for this purpose.

(continued from page 8)

countries of Africa, Asia and Latin America. Meanwhile, attention has also focused on the lack of organized training for senior executives of developing country firms on how to ensure proper control structures for the use of risk management instruments. In order to respond to this need, UNCTAD intends to develop a training seminar on this issue. In addition, work is in hand, with financial help from the Government of the Netherlands, on the development of basic course material for a workshop on government policy with respect to the use of risk management instruments in the coffee trade in Africa.

REVIEWS

THE LEAST DEVELOPED COUNTRIES 1992 REPORT

United Nations publication
Sales No. E.93.II.D.3, US$70

This ninth edition of the *Report* analyses the recent performance of the 47 least developed countries (LDCs) and their growth prospects against the background of the domestic and external environments. The former include demographic trends and population policies; issues relating to food security, including the food emergency in Southern Africa; and an assessment of domestic resource mobilization efforts. On the external front the *Report* documents the severe and all-pervasive impact of the world recession on LDC economies; reviews progress in the implementation of international support measures for the LDCs, particularly with regard to aid flows and efforts to reduce their debt burdens; and examines the impact of the Uruguay Round on trading opportunities. It also contains a chapter on the role of non-governmental organizations in the LDCs and a statistical annex. The *Report* serves as the basis for the annual review by UNCTAD's Trade and Development Board of the implementation of the Programme of Action for the LDCs.

INTERNATIONAL MONETARY AND FINANCIAL ISSUES FOR THE 1990s

United Nations publication
UNCTAD/GID/G24/2-Vol. 2

A companion volume to the one reviewed in the previous issue of the *Bulletin*, this publication brings together the remaining five of the eleven research papers prepared in the past two years for the Intergovernmental Group of Twenty-Four on International Monetary Affairs (G-24). The five papers are listed below.

- *Prospects of Financial Flows to Developing Countries in the 1990s: The Global Macroeconomic Trade-Offs*
  Rob Vos
- *The World Bank and the Environment: The World Development Report 1992*
  Lance Taylor
- *On Gradualism, Shock Treatment and Sequencing*
  José M. Fanelli and Roberto Frenkel
- *IMF Surveillance and the G-24*
  C. David Finch
- *On Financial Openness in Developing Countries*
  Yilmaz Akyüz

PROSPECTS FOR THE WORLD SUGAR TRADE

UNCTAD Discussion Paper No. 55 – February 1993
Alexandre Rands Barros

This *Discussion Paper* reviews the most relevant recent structural changes in the world sugar economy, with special emphasis on their relation to macroeconomic developments in the world economy. This analysis is used to raise hypotheses on the shape which future developments in the sugar trade must take. The most important structural changes analyzed are those being currently implemented by East European countries, those which will result from developments in the debt problem of developing countries and those which may ensue from the Uruguay Round of multilateral trade negotiations. The potential impact of alternative sweetners in sugar consumption and trade is also evaluated.

FINANCIAL LIBERALIZATION: THE KEY ISSUES

UNCTAD Discussion Paper No. 56, March 1993
Yilmaz Akyüz

This *Discussion Paper* draws on the recent experience with financial liberalization in both industrial and developing countries to examine a number of key issues including its effects on savings, financial and real activity, efficiency and stability. It also discusses the role of prudential and interest rate regulations in promoting financial stability and efficiency, compares the bank and equity market-oriented systems in these respects, and examines the effects of financial openness and external capital flows on industrialization and competitiveness. One of the *Paper's* main conclusions is that, despite widespread claims that financial markets are efficient, financial liberalization in many countries has generated more costs than benefits, particularly where it was adopted as a remedy for stagnation and instability. Instead of lifting the level of domestic savings and investment, it accentuated financial instability: financial activity increased, but without benefiting industry and commerce. By contrast, a common feature of all modern examples of industrialization is that they have all succeeded in making finance serve industry and trade and not the other way round. This has often necessitated a considerable amount of intervention and control over financial activities. While acknowledging that there has also been much misguided intervention, the *Paper* concludes that the appropriate response should be to reform the State and rationalize intervention rather than to throw in the towel and simply "unleash market forces".

NOTES

PACIFIC RIM TRADING ENTERPRISES HOLD FIRST MEETING

UNCTAD, UNDP, the Santiago International Fair (FISA) and the Ministry of Foreign Relations of Chile organized the first meeting of trading enterprises of Pacific Rim developing countries in Santiago, Chile from 2-4 November 1992. Represented at the meeting, which was held in conjunction with FISA '92, were 115 enterprises from 7 Asian and 7 Latin American countries. Participants discussed a wide range of initiatives designed to promote trade and economic cooperation among Pacific Rim trading enterprises; and created a Coordinating Committee which will draw up an action programme and establish relations with other cooperation organizations in the region. The occasion also permitted participants to make bilateral business contacts.

NEW COCOA AGREEMENT DELAYED

Contrary to expectations, the fourth session of the United Nations Cocoa Conference – held under UNCTAD auspices form 22 February-5 March – did not resolve all the issues standing in the way of a new international agreement with economic provisions. In a unanimous resolution, however, producing and consuming countries expressed their determination to conclude such an agreement as soon as possible. The Conference agreed on a figure of 350,000 tonnes as the maximum volume of cocoa to be withheld for the market under a new agreement, and there was a narrowing of positions on the price range to be defended. No progress was made, however, on the manner of financing a withholding scheme. Consultations designed to break the impasse are underway. The current Agreement expires in September this year.

BURUNDI SEMINAR ON TECHNOLOGY TRANSFER AND DEVELOPMENT

In the framework of its technical cooperation activities, UNCTAD organized a national seminar in Burundi from 24-26 February with a view to promoting the transfer and development of technology. Burundi belongs to the category of the least developed countries. The seminar brought together some 60 senior Government officials and representatives of enterprises as well as of R&D institutions. Participants examined practical experiences in R&D and how to establish closer contacts between R&D institutions and the productive sector so as to improve competitiveness. They also identified policy instruments for strengthening technological capacity in Burundi. Human resources development and the role of international cooperation were among the other issues discussed. A workshop on contractual arrangements for technology transfer was held before the seminar.

TRAINFORTRADE SEMINAR IN KENYA

In cooperation with the Eastern and Southern African Trade and Training Centre (ESATTP) and with the financial support of the Commission of the European Communities, UNCTAD organized a fifth TRAINFORTRADE seminar on trade with EC countries after 1992 in Narobi, Kenya from 8-12 March. The seminar was designed to help ACP exporters to take advantage of the main changes that the Single Market will introduce in market access conditions for ACP countries and to explore all the possibilities offered by the Lome Convention in this new context. Twenty-two participants, mainly export managers, traders, bank managers and export promotion agency officers from ACP countries attended.

The seminar is part of the UNCTAD/ITC Programme TRAINFORTRADE which aims at strengthening the human resources of developing countries in the field of trade and trade-related services through the design, production and dissemination of high quality training packages and the training of trainees. These packages will subsequently be used regularly by a network of qualified training institutions attached to the TRAINFORTRADE Programme in the developing countries.

The training package on "Trade with EC Single Market countries after 1992 for ACP countries" was developed by UNCTAD in cooperation with ITC, the Luigi Bocconi University, Milan, and the Italian Institute of Foreign Trade (ICE). The Commission of the European Communities provided technical support while financing was forthcoming from the Government of Italy.

WORKSHOP ON R&D IN LATIN AMERICA

UNCTAD'S Technology Programme and UNDP extended their support to the University of Buenos Aires in connection with a Workshop of Experts in R&D in Buenos Aires from 17-19 March. The object of the workshop was to promote, through an exchange of experiences, linkages between researchers and enterprises in Latin America and to stimulate the coordination of R&D activities undertaken in the framework of regional programmes. Topics discussed included the LATINTEC project proposal which is designed

to foster the marketing of R&D results through closer cooperation between the academic and research community and the enterprise sector.

ANNUAL UNCTAD-NGO CONSULTATION

The fifth UNCTAD-NGO Consultation, held from 5-7 April, focused on the general theme of "Development Issues in the Aftermath of UNCTAD VIII." Specific topics discussed included the post-Uruguay Round trade agenda; commodities; sustainable development; debt, development finance and interdependence; and poverty alleviation. The Consultation provided a good opportunity for the 50 participating NGOs, of which 15 were from developing countries, to be informed about UNCTAD's new work programmes and to discuss possible areas in which their working relationship with UNCTAD could be strengthened. Particular attention was devoted to the contribution of NGOs to the work of the newly-established Standing Committee on Poverty Alleviation. The Consultation also carried out a broad appraisal of UNCTAD-NGO relations in order to improve future cooperation.

FORTHCOMING UNCTAD MEETINGS

- ***May***

  10-14
  Special Committee on Preferences, twentieth session

  17-19
  Governmental experts from land-locked and transit developing countries and representatives of donor countries and financial and development institutions (New York)

- ***June***

  7-11
  Ad Hoc Working Group on Comparative Experiences with Privatization, second session

  21-25
  United Nations Conference for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1983, second part

  28-2 July
  Ad Hoc Working Group on Investment and Financial Flows, second session

- ***July***

  5-16
  United Nations Cocoa Conference, 1992, fifth part

PUBLICATIONS

- Review of UNCTAD's technical cooperation activities in Africa (TD/B/39(2)/12 & Add. 1)
- Policies for human resources development, with particular reference to technical cooperation activities for trade and development – The development of human resources for trade (TD/B/39(2)/14)
- Report on the activities of the United Nations system in the area of structural adjustment for the transition to disarmament (TD/B/39(2)/20)
- Measures and incentives for enhancing the competitiveness of sectors with export potential in developing countries: evidence and lessons from experience (UNCTAD/ITP/90)
- Insurance in developing countries: An assessment and review of developments, 1989-1992 (UNCTAD/SDD/INS/2)
- Compilation of comments and proposals on the Draft Convention on Maritime Liens and Mortgages (A/CONF.162/3 & Add.1)
- Review of the current market situation and outlook – Market situation and outlook for bauxite, alumina and aluminium (TD/B/CN.1/RM/BAUXITE/2) and Statistics 1982-1991 (TD/B/CN.1/RM/BAUXITE/3)
- UNCTAD Monographs on Port Management, No. 10 – Computerized Container Terminal Management (UNCTAD/SHIP/494(10)
- Tungsten Statistics, 1992 (TD/B/C.1/TUNGSTEN/STAT/L.59)
- Technical cooperation activities on the generalized system of preferences and other trade laws, 1992 (TD/B/SCP/2)
- Review of the implementation, maintenance, improvement and utilization of the generalized system of preferences – Sixteenth general report (TD/B/SCP/3)
- Background, status and operation of the International Tropical Timber Agreement, 1983 and recent developments of relevance to the negotiation of a successor agreement (TD/TIMBER.2/3)
- The interrelationship between investment flows and technology transfer: An overview of the main issues (UNCTAD/ITD/TEC/1)
- Report of the Ad Hoc Expert Group on Technology Policies in Open Developing Countries Economies (5-6 December 1991) (UNCTAD/ITD/TEC/3)
- Technology transfer and development in a changing international environment: Policy Challenges and Options for Cooperation (UNCTAD/ITP/TEC/21)
- Report of the Intergovernmental Group of Experts on Restrictive Business Practices on its eleventh session (23-27 November 1992) (TD/B/RBP/92)
- Report of the Ad Hoc Working Group on Comparative Experiences with Privatization on its first session (30 November-4 December 1992) (TD/B/WG.3/5)
- Report of the Ad Hoc Working Group on Trade Efficiency on its first session (16-20 November 1992) (TD/B/WG.2/3)
- Monthly Commodity Price Bulletin, Vol. XIII – Nos. 1 & 2 – January, February 1993 (TD/B/CN.1/CPB/L.1 and L.2)
- The management and development of human resources in ports (UNCTAD/SHIP/644)

UNCTAD documents are available for reference at all United Nations Information Centres and at depository libraries for United Nations publications. The yearly subscription for all mimeographed UNCTAD documents is US$ 300 including postage. Requests for such subscriptions as well as orders for individual sales publications should be addressed to: United Nations Sales Section, Palais des Nations, 1211 Geneva 10, Switzerland.

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